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PP RUEHWEB

DE RUEHRO #0623 1491406
ZNY CCCCC ZZH
P 291406Z MAY 09
FM AMEMBASSY ROME
TO RUEHC/SECSTATE WASHDC PRIORITY 2156
INFO RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 0937
RUEHBUL/AMEMBASSY KABUL PRIORITY 0495

C O N F I D E N T I A L ROME 000623

SIPDIS

PRM/ECA: HASTINGS
PRM/ECA: WENDT

E.O. 12958: DECL: 05/26/2019
TAGS: EAID EFIN PHUM PREF PK IT
SUBJECT: ITALY GIVES 760K EUROS FOR PAKISTANI IDPS; 40M
EUROS IN SOFT LOANS

REF: A. STATE 50276
1B. ROME 316

Classified By: A/DCM Barbara A. Leaf for reasons 1.4 (b) and (d)

11. (C) Summary: In response to humanitarian needs created by recent hostilities in the Swat valley, Italy has pledged 400,000 Euros for emergency aid to be managed through the Pakistani Red Crescent, as well as another 360,000 Euro "in kind" donation of humanitarian supplies. Italy is also finalizing a program to distribute 40 million Euros of soft loans with generous terms for Pakistani development. End Summary.

12. (C) On 20 May Econoff delivered a demarche concerning emergency aid for internally displaced Pakistanis to MFA officials responsible for Italian developmental and humanitarian aid to Pakistan (Ref A). According to Carolina Ummarino of the Emergency Office of the Directorate General of Italian Cooperation, on 12 May the Italian government pledged 400,000 Euros in emergency aid in response to humanitarian needs created by recent hostilities in Pakistan's Swat valley. Funding for blankets, sanitary articles, cooking utensils, food rations, and potable water to displaced Pakistanis will be administered by the Pakistani Red Crescent, she said. Additionally, Ummarino said that on 22 May the Italian government sent a cargo flight from Brindisi, Italy to Pakistan loaded with 360,000 Euros in humanitarian supplies for an "in kind" donation. The donation included: 168 tents, three ten-kilovolt generators, five fifteen-kilovolt generators, two five-kilovolt generators, 1050 blankets, 18 large water storage containers, 3000 water canteens, and 50 latrines. All of these goods will be distributed under the supervision of the United Nations High Commissioner for Refugees.

13. (C) Econoff delivered the same demarche to Walter Zucconi, the desk officer for Afghanistan, Pakistan and Central Asia within the Directorate General for Development Cooperation. Zucconi said that prior to the end of 2008, aid to Pakistan had not been an Italian priority. Since then, he said Pakistan had become more important to the GOI. However, he also noted ongoing cuts in Italy's 2009 development assistance budget of sixty-six percent, relative to 2008. (Comment: This represents a slight worsening of the previously announced cuts of three-fifths, reported in ref B. End Comment.) Zucconi blamed these cuts on a weak economy. (Comment: Zucconi's explanation does not hold water, given that the budget decision to cut foreign assistance, defense and foreign affairs expenditures this year was made last year by the government well before the onset of the current economic crisis. End Comment)

14. (C) Because development assistance funding is scanty this year, Zucconi said that the GOI was using funds from the

Ministry of Finance, instead of from its Development Cooperation Directorate within the Ministry of Foreign Affairs, to issue soft loans. Zucconi said that starting in 2009, the GOI would issue 40 million Euros in soft loans, with no interest, a 37-year repayment period, and an 18 year grace period without any payments. In net present value terms, he said, it was analogous to a grant of 32 million Euros. The programmatic priorities are threefold: 1) Microcredit for rural villages; 2) Technical and vocational training, and 3) Development of the olive oil industry in Baluchistan and the Northwest Frontier Province. He said that the GOI hopes to finalize an additional grant of 2 million Euros for olive oil development soon. Zucconi expressed confidence that a team of Italian and Pakistani development experts currently evaluating projects in Pakistan would submit findings by the end of June. All of the 40 million Euros will be disbursed in Pakistan, through the Pakistan government. Zucconi noted that the GOI wished to introduce similar programs in Afghanistan, but that it hadn't yet negotiated an agreement with the Afghan government. He concluded with the hope that the GOI and Afghanistan would reach such an accord in 2010.

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